U.S. Chamber of Commerce

1615 H Street, NW
Washington, DC 20062-2000
uschamber.com

April 11, 2022

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Money Market Fund Reforms [Release No. IC-34441; File No. S7-22-21]

Dear Ms. Countryman:

The U.S. Chamber of Commerce's Center for Capital Markets Competitiveness ("CCMC") is pleased to provide comments on the proposal issued by the Securities and Exchange Commission ("SEC" or "Commission") on "Money Market Fund Reforms" ("Proposal").

Rule 2a-7, the principal rule governing Money Market Funds ("MMFs") under the Investment Company Act of 1940, was amended by the SEC in both 2010 and 2014, with the objectives of making MMFs "more resilient to certain short-term market risks" and addressing "risks of investor runs on money market funds, while preserving the benefits of the funds."[1] In its most recent effort to reform the rules surrounding MMFs, as a reaction to the market volatility of March 2020, the SEC states that the objective of its current proposed reforms is to improve MMF resilience and transparency.[2]

CCMC believes that any changes to the market for MMFs must balance the resilience and transparency of MMFs with the preservation of a robust MMF market. MMFs are an essential and vital source of short-term cash management and investment opportunities for a wide array of market participants. Any changes to MMF regulation must also bolster the market for MMFs and demonstrate a commitment to preserving the unique benefits provided by MMFs to investors and issuers.

We recognize some positive developments in the Proposal, such as the elimination of the current provisions in Rule 2a-7 on redemption gates and liquidity fees. We also appreciate that the Commission steered clear of thoroughly unworkable ideas, such as a capital buffer requirement and a minimum balance at risk, which would have been a significant challenge

---

[1] SEC Adopts Money Market Fund Reform Rules (July 23, 2014). https://www.sec.gov/news/press-release/2014-143 and
SEC Approves Money Market Fund Reforms to Better Protect Investors (January 27, 2010). https://www.sec.gov/news/press/2010/2010-14.htm
[2] Securities and Exchange Commission, Release No. IC-34441; File No. S7-22-21 (February 8, 2022), p. 1. https://www.sec.gov/rules/proposed/2021/ic-34441.pdf ("SEC 2022 MMF Reform Proposal")

to administer while ultimately not addressing liquidity pressures in institutional prime funds.

However, CCMC is concerned by certain other provisions of the Proposal that would unreasonably raise costs on funds and investors and alter the MMF market in negative ways. CCMC will comment specifically on the proposals to (1) increase minimum liquidity requirements; (2) adopt swing pricing; (3) adopt new rules surrounding negative interest rates; and (4) require additional reporting.

Importance of the Money Market Fund Market

As CCMC explained in our April 2021 comment letter[3] ("2021 letter") in response to the various reforms proposed by the President's Working Group ("PWG"), MMFs exist for the ease of short-term cash management and investment and provide economic benefits to issuers and investors, including individuals, governmental entities, and businesses.

At the time when the PWG released its recommendations, the report noted that as of September 30, 2020, "total industry MMF net assets were $4.9 trillion, down slightly from an all-time high of $5.2 trillion in May 2020."[4] Despite the downturn following the events of March 2020, the market for MMFs is rebounding. According to the Proposal, as of July 2021, approximately 318 MMFs were registered with the Commission with total assets of $5 trillion.[5] The data supports and demonstrates the importance of these investment vehicles for the operation of short-term markets.

For many businesses, including those that make up the membership of the U.S. Chamber of Commerce, MMFs are the preferred way to manage fluctuations in cash and to ensure adequate cash flow when needed. Businesses across the country benefit from MMFs in two ways: (1) as an investment tool for working capital and (2) as a market for the instruments they issue to finance short-term funding needs. Cash inflows and outflows don't always line up, and MMFs, as a safe, sound, and highly liquid product, act as a financial intermediary in helping businesses offset these discrepancies.

As we explained in our 2021 letter, the liquidity crisis experienced by short-term funding markets in March 2020 was not the result of inadequate regulation, but a shock from outside the financial system. While we do not disagree with the Commission's goal of improving the resilience of MMFs during a time of market stress, we are concerned that the Commission is focused on rare stress events to the detriment of maintaining a robust and efficient market for MMFs under normal market conditions.

---

[3] Center for Capital Markets Competitiveness, Comment Letter to the SEC Regarding Potential Money Market Fund Reform Measures in President's Working Group Report – S7-01-21 (April 12, 2021). http://www.centerforcapitalmarkets.com/wp-content/uploads/2021/04/s70121-8664044-235342.pdf?# .
[4] U.S. Department of the Treasury, Overview of Recent Events and Potential Reform Options for Money Market Funds (December 2020). https://home.treasury.gov/system/files/136/PWG-MMF-report-final-Dec-2020.pdf
[5] SEC 2022 MMF Reform Proposal, p. 9.

At a time when the supply of MMFs is rebounding, many of the provisions in the Proposal, including the highly impractical provisions on swing pricing, would have unintended consequences that change the landscape for MMFs and minimize their utility. In particular, our member firms have expressed strong concern that the supply of MMFs would plummet, resulting in decreased liquidity and lower returns. Under such conditions, issuers and investors would move their activity to other types of MMFs (perhaps from institutional prime funds to government funds), bank products, or possibly reallocate capital outside of the regulated financial markets.

We are further concerned that the Commission is considering several substantial changes to the regulation of MMFs, including drastically higher liquidity thresholds and swing pricing, without providing an adequate cost-benefit analysis to support its proposals. In particular, the introductory discussion of the economic analysis admits "Many of the benefits and costs discussed below are difficult to quantify."[6] Specific to the discussion on swing pricing, the SEC states "We lack data to quantify how many institutional prime and institutional tax-exempt funds currently strike their NAV at the midpoint and, to the best of our knowledge, no such data is publicly available."[7] As CCMC explained in our 2021 letter, "we do not believe swing pricing would be effective for curtailing runs, as this is not its primary purpose." We are deeply troubled that the Commission would propose adopting such a complex and costly process based on little to no actual data, for a process that is not likely to meet its objectives.

Proposal on Redemption Gates and Liquidity Fees

Rule 2a-7 currently authorizes boards of non-government MMFs to institute liquidity fees or redemption gates on investors to disincentivize runs. Specifically, if a fund's weekly liquid assets ("WLA") fall below 30% of its total assets, a board would have the discretion to impose a fee (up to 2%) or a gate (suspending redemptions for up to 10 business days). In addition, a board would be required to impose a 1% fee if the WLA were to fall below 10%, unless the board determines that such a fee would not be in the best interest of the fund or that a lower or higher (up to 2%) liquidity fee is in the best interest of the fund.

The SEC has taken meaningful steps to improve the regulation of MMFs by eliminating from Rule 2a-7 the redemption gate provision and liquidity fee provision, both of which were adopted as options a board could implement for the purpose of disincentivizing runs.[8] However, during the market volatility in March 2020, since investors did not understand how boards would use their discretion under Rule 2a-7, investors behaved as if these two potential tools would be mandatory rather than discretionary. The regulatory linkage between the requirement for a MMF to maintain 30% WLA and the possibility that a

[6] SEC 2022 MMF Reform Proposal, p. 150.
[7] Id. p. 152.
[8] SEC Adopts Money Market Fund Reform Rules (July 23, 2014). https://www.sec.gov/news/press-release/2014-143

redemption gate could be imposed was a contributing factor to an unnecessary run on institutional prime MMFs in March 2020.

The proposed removal of redemption gates from Rule 2a-7 is a necessary step since the possibility that gates *could* be imposed was a key factor that contributed significantly to the stresses experienced by institutional prime funds in 2020. Although the imposition of a redemption gate was subject to the discretion of a fund's board, investors instead treated gates as mandatory and became increasingly sensitive to concerns that they would not have access to their funds.

Investors approached the imposition of the current Rule 2a-7 liquidity fee tied to the WLA in much the same manner. A liquidity fee of up to 2% at the discretion of the board did not provide predictability to investors during a time of market stress. Again, many investors assumed that as WLAs neared the 30% threshold that boards would automatically impose a 2% liquidity fee, even though boards had the discretion to choose a smaller fee or none at all.

In fact, staff at the Federal Reserve Bank of New York foresaw the possibility that redemption gates and liquidity fees could have the opposite effect as intended – they may actually encourage runs in some cases – when it published research in 2014 entitled, *"Gates, Fees, and Preemptive Runs*."[9] The conclusion of the report finds that, "Rules that provide intermediaries, such as MMFs, the ability to restrict redemptions when liquidity falls short may threaten financial stability by setting up the possibility of preemptive runs." The report also pointed out the possibility of behavior that may be economically irrational noting, "…given the similarity of MMF portfolios, is that a preemptive run on one fund might cause investors in other funds to reassess whether risks in their funds are indeed vanishingly small."

In light of the above, CCMC supports the Commission's intention to eliminate the current redemption gate and liquidity fee provisions from Rule 2a-7 to "limit the potential for investor uncertainty and de-stabilizing preemptive investor redemption behavior…during stress events."[10]

Proposal on Minimum Liquidity Requirements

Under Rule 2a-7, a MMF is currently required to hold at least 10% of total assets in daily liquid assets ("DLA") and 30% of total assets in WLA. In this Proposal, the Commission recommends raising the DLA from 10% to 25% and the WLA from 30% to 50%. The Commission has stated that increased thresholds will "provide a substantial buffer…to manage significant and rapid investor redemptions,"[11] and will "promote the goal of

[9] Cipriani, M., Martin, A., McCabe, P., and Parigi, B., Federal Reserve Bank of New York Staff Reports: Gates, Fees, and Preemptive Runs (Staff Report No. 670) (April 2014). https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr670.pdf
[10] SEC 2022 MMF Reform Proposal, p. 33.
[11] Id. p. 88.

improving resilience of MMFs during times of market stress."[12] And yet, the Commission noted in the Proposal, even during the market stress of March 2020, although there were significant outflows from prime funds that caused a reduction in their DLA and WLA, only one institutional prime fund reported WLA below the 30% threshold.[13]

In exchange for eliminating redemption gates and liquidity fees, some marginal increase in minimum DLA and WLA may be warranted to support market resilience, liquidity, and stability. As the Proposal has explained, many funds already maintain "liquidity levels well above the regulatory minimums in normal market conditions."[14] However, we question the need for an increase in DLA of 150% and an increase in WLA of 66.7% when only a single institutional prime fund dropped below the 30% WLA threshold during the market stress of March 2020.

While many asset managers will be able to manage at higher liquidity thresholds, there are major drawbacks to such significant increases that would harm the corporate community.

- First, higher daily and weekly thresholds will increase demand for securities with short tenors, having potential knock-on implications for the relatively longer tenor funding needs of issuers.

- Second, the supply of MMFs is only just rebounding, but the supply may never return to previous levels, or it might dwindle further, if the Commission were to institute such high liquidity thresholds. Despite a strong demand for short-term liquidity by both investors and corporate issuers, further over-regulation, including vastly increased liquidity thresholds, will damage the supply of MMFs.

- Third, the market for institutional prime funds in particular is likely to experience a further diminution. Past regulatory intervention by the SEC has led to significant changes to the MMF market. Following the 2014 regulatory changes, "government money market funds grew substantially, while prime money market funds diminished in size."[15] Since higher liquidity thresholds allow for less yield improvement over a government fund, it is reasonable to expect, based on previous experience, that the supply of institutional and retail prime funds will again decrease with a corresponding increase in government MMFs. Investors and market participants would be worse off as a result of having fewer short-term liquidity options.

CCMC recommends the Commission reevaluate its proposal to increase the DLA and WLA to consider much lower increases in rates that do not "decrease money market fund yields

---

[12] SEC 2022 MMF Reform Proposal, p. 89.
[13] Id. p. 88.
[14] Id. p. 89.
[15] Id. p. 12.

and make them less desirable to investors,"[16] as the Proposal acknowledges in the economic analysis.

Proposal on Swing Pricing

The Proposal recommends instituting a swing pricing requirement for institutional prime and institutional tax-exempt MMFs that would apply when a fund has net redemptions. The Commission's purpose is to fairly allocate redemption costs and to minimize shareholder dilution and first-mover effects. [17]

In our 2021 letter, we expressed deep concern about the PWG's recommendations on swing pricing. As we explained, it would not be effective in curtailing runs, but would impose substantial technical challenges and costs. CCMC remains strongly opposed to swing pricing. As discussed below, we believe the swing pricing proposal will (1) not meet the intended goals set out by the Commission; (2) require complex and subjective calculations; (3) create serious operational challenges for funds; and (4) damage the supply of institutional MMFs.

Swing pricing will not meet the intended goals: Swing pricing is unlikely to impact the decision-making by investors about whether to redeem, particularly during stressed market conditions where the market is moving in one direction. Trading costs are minimal for securities held by MMFs, given the high levels of immediate on-demand liquidity. If there were a large wave of redemptions, the trading costs do not create any meaningful dilution in the funds. As a result, swinging the NAV by an amount based on trading costs would be relatively small. This "swing" in price would then need to be compared against an investor's desire to redeem shares. There would be relatively low disincentive given the increased desire to redeem shares in the face of relatively low increase in trading costs. In addition to the relatively small cost imposed on investors by swing pricing, it is not likely to impact behavior because investors would not be aware of when swing pricing may be activated. We agree with Commissioner Peirce that the "addition of complexity and subjectivity to swing pricing calculations" will not "succeed in altering investor decision-making."[18]

Swing pricing will require complex and subjective calculations: The mechanics of the swing pricing proposal would require an institutional fund to adjust the fund's NAV by a factor reflecting spread and transaction costs if net redemptions have occurred during the pricing period. The proposal adds subjectivity to the evaluation of MMFs in a net redemption environment by allowing various layers of estimates in calculating the swing price.

---

[16] SEC 2022 MMF Reform Proposal, p. 177.
[17] Id. p. 44.
[18] Commissioner Hester M. Peirce, Statement on Money Market Fund Reforms (December 15, 2021). https://www.sec.gov/news/statement/peirce-statement-money-market-fund-reforms-121521

- First, the fund would estimate various costs that might be incurred by selling a pro rata amount of each security in its portfolio to meet net redemptions in a reporting period (a "vertical slice of the portfolio"). Costs would include spread costs, brokerage commissions, custody fees, among other applicable fees and taxes.[19]

- Second, if net redemptions exceed a "market impact threshold" of 4% of a fund's NAV divided by the number of pricing periods in a business day, then the swing factor must also include "good faith estimates" of the decline in value of each security if it was to sell a vertical slice of a fund's portfolio to satisfy redemptions. The provision would "permit a fund to estimate costs and the market impact factor for each type of security with the same or substantially the similar characteristics and apply those estimates to all securities of that type in the fund's portfolio."[20]

- Finally, in addition to the already extensive estimated calculations, a fund would then be required to determine net redemption activity across all shares on an aggregate basis. [21]

The Commission clearly recognizes the complexity in calculating the swing price, particularly for funds that calculate their NAVs multiple times each day. However, each step of the Proposal's swing pricing concept injects unnecessary subjectivity to the evaluation of MMFs. Beyond the challenges in calculating a swing price, investors and business will also have to navigate additional complexities with regards to accounting and tax implications. By adjusting a fund's NAV, investors and businesses would then have to report losses or gains attributable to that calculation.

Swing pricing creates operational challenges: Instituting swing pricing in the U.S. would be a herculean technology infrastructure undertaking. It is unclear if fund sponsors, their custodians, transfer agents, broker-dealers and retirement plan recordkeepers would be capable of realizing enormous start-up costs and ongoing compliance costs. It is notable that non-money market U.S. mutual funds have had the option to implement swing pricing since the SEC adopted its swing pricing rule in 2016. However, to our knowledge, no U.S. mutual fund has done so to date because of the enormous obstacles that would need to be overcome, many of which would need to be solved by other companies (e.g., broker-dealers, retirement plan recordkeepers) that are unaffiliated with the fund sponsor. It is our understanding that even in Europe, where swing pricing is a more common feature of the landscape for open-ended funds, it has not been applied to European MMFs.

Swing pricing will damage the supply of MMFs: The regulatory changes instituted by the Commission in 2014 led to a drop in supply of institutional prime funds in favor of government funds. Based on data from the Office of Financial Research, U.S. institutional funds decreased from $1.8 trillion to $1.2 trillion in July 2014 (when the

---

[19] SEC 2022 MMF Reform Proposal, pp. 48-49.
[20] Id. p. 50.
[21] Id. p. 51.

> regulations were adopted) to $0.8 trillion as of January 2022. By comparison, U.S. government funds increased from $1 trillion in January 2014 to $1.5 trillion in July 2014 to $4.2 trillion as of January 2022.[22]
>
> As the Commission recognizes, the imposition of swing pricing could cause additional movement from institutional prime funds and institutional tax-exempt funds to government funds.[23] The Financial Stability Board also acknowledged that swing pricing "could lead to increased concentration and a reduction in the overall size of the MMF industry."[24] Because swing pricing is a challenging mechanism for funds that have multiple settlements a day or same-day settlement, institutional funds may no longer be able to offer those benefits to investors.
>
> As a result, swing pricing would at the very least further decrease the supply of institutional prime funds, if not entirely eliminate this useful product from the market. If the supply of institutional MMFs plummets, investors would experience decreased liquidity and lower returns. Under such conditions, issuers and investors would move their activity to other types of MMFs (perhaps from institutional prime funds to government funds), bank products, or possibly reallocate capital outside of the regulated financial markets. That the Commission is not concerned about this very real possibility is in itself troubling. If the trend away from institutional funds continues, investors, issuers, and markets will be worse off.[25]

CCMC does not find the Commission's arguments for instituting swing pricing (to fairly allocate redemption costs and curtail runs) persuasive. In particular, we do not believe that the Proposal's economic analysis has adequately evaluated the proposed benefits. First, we do not believe the analysis of benefits adequately accounts for the premise that redemption costs could be *fairly* allocated when the swing factor calculation is based on a series of estimates. Second, it is not accurate to consider curtailing runs as a benefit of swing pricing. Since investors would not be aware of when swing pricing may be activated, it would not alter investor decision-making. Also, the Commission is proposing swing pricing for institutional prime and institutional tax-exempt funds, although it does not fully have the data by which to evaluate the impact of its proposal. The SEC states "We lack data to quantify how many institutional prime and institutional tax-exempt funds currently strike their NAV at the midpoint and, to the best of our knowledge, no such data is publicly available."[26] It is pure conjecture to attempt the implementation of swing pricing without being able to fully understand the industry the policy will affect.

---

[22] U.S. Department of the Treasury, Office of Financial Research, U.S. Money Market Fund Monitor. https://www.financialresearch.gov/money-market-funds/us-mmfs-investments-by-fund-category/

[23] SEC 2022 MMF Reform Proposal, p. 187.

[24] Financial Stability Board, Holistic Review of the March Market Turmoil (December 17, 2020). https://www.fsb.org/wp-content/uploads/P171120-2.pdf

[25] Commissioner Peirce https://www.sec.gov/news/statement/peirce-statement-money-market-fund-reforms-121521

[26] Id. p. 152.

Moreover, the economic analysis notes that "approximately 5% of trading days may involve such net redemptions" from institutional prime and institutional tax-exempt MMFs between December 2016 and October 2021.[27] In absolute numbers, that figure represented 3 out of 53 institutional funds as of October 2021. When assessing the many operational costs, compliance and calculation complexities, and unintended market consequences, we are astounded that the Commission is proposing the implementation of swing pricing based on data that 3 funds experienced net outflows. We are further troubled by the casual statement that costs from instituting swing pricing may be passed along to investors. We do not believe that investors should have to pay an additional cost for a subjective calculation that will not in fact curtail runs and may not be fair in its allocation of redemption costs.

The Commission has taken meaningful steps to improve the resilience of MMFs by eliminating redemption gates and liquidity fees from Rule 2a-7. In addition, we believe that a modest increase in DLA and WLA requirements could be appropriate to protect funds and investors during a time of heightened redemptions. The benefits from these actions will be undone by the imposition of swing pricing and will altogether harm the MMF market.

We recommend that the Commission remove the provision on swing pricing. Although we believe no additional regulatory action is necessary, should the Commission remain intent on implementing another policy tool, we encourage it to consider alternative proposals from other industry groups who understand the intricacies of fund management and operations.

While we strongly discourage the Commission from adopting swing pricing requirements, should the Commission proceed, we are deeply concerned about the implementation timetable for adoption of those provisions. In the past, the Commission has understood the operational complexity of adopting swing pricing. Specifically, when it adopted swing pricing rules for non-MMFs in 2016, it delayed the effective date of those rules for 24 months.[28] Given the complexity of updating is systems to adopting swing pricing, we request that the Commission extend the compliance date to 24 months after the effective date.

Proposal on Negative Interest Rates

The Proposal also recommends amendments to address how MMFs with stable NAVs should respond to a negative interest rate environment. It would require a government or retail fund that has converted to a floating share price in a negative interest rate environment to certify that financial intermediaries are capable of completing transactions. Without such certification, a fund would be required to prohibit the financial intermediary

---

[27] SEC 2022 MMF Reform Proposal, p. 193.

[28] Sidley, SEC Proposed New Rule Amendments for Money Market Funds (January 3, 2022). https://www.sidley.com/en/insights/newsupdates/2022/02/sec-proposes-significant-changes-for-advisers-and-private-funds

from purchasing a fund's shares. Moreover, funds would be required to keep records of such financial intermediaries and certifications for a period of at least six years.

CCMC believes this policy provision is a solution in search of a problem. The Proposal makes clear that only twice during the past 15 years has the Federal Reserve "established the lower bound of the target range for federal funds rate at 0%"[29] and that negative interest rates have never occurred in the U.S.[30] With that history in mind, it is unnecessary for the Commission to build a regulatory framework around negative interest rates that comes with a variety of new responsibilities and costs. The potential for negative interest rates that is mentioned in the Proposal is incredibly remote, especially as the U.S. is currently facing rising rates and inflation.

By the Proposal's own admission, the provisions regarding negative interest rates would impose significant operational burdens and costs on investors and government and retail MMFs.[31] The Proposal recognizes there would be accounting and tax challenges for investors should retail funds switch from a stable NAV to a floating NAV. In addition, funds would take on the burden of implementing compliance systems to process transactions at a floating NAV, manage a new certification process for intermediaries, and maintain records.

Beyond the costs related to these requirements, we believe there are also two fairness issues the Commission has overlooked. First, it is inappropriate to require funds to certify that financial intermediaries are capable of completing transactions. This Proposal would force funds to take on a responsibility that is outside of their role. Second, funds who decide on a more conservative approach in assessing the capabilities of financial intermediaries may be made worse off in terms of assets under management as compared to funds who follow a less stringent process.

The Commission states the purpose of these provisions is to protect investors and provide price transparency. However, the Commission recognizes that any benefits from the provisions would "only be realized in persistently negative yield environments,"[32] which as we know have never occurred in the U.S. We question why investors should have to pay the compliance costs of such provisions in the form of higher expense ratios[33] when such regulations are unnecessary.

The provisions regarding negative interest rates would lead to a number of potential negative market consequences. Although Rule 2a-7 does not explicitly address how MMFs must operate should interests rates become negative, the Proposal makes it clear that government and retail funds that are not able to maintain a stable share price would need to convert to a floating share price. There are significant operational difficulties associated with converting from a stable NAV to a floating NAV for government MMFs.

---

[29] SEC 2022 MMF Reform Proposal, p. 107.
[30] Id. p. 197.
[31] Id. p. 198.
[32] Id. p. 198.
[33] Id. p. 199.

In addition, requiring funds to certify that an intermediary is capable of operating in a floating NAV environment would result in many businesses dropping money funds in favor of banking products. However, banks would have to determine whether they will want to take on additional short-term deposits and whether they would impose higher fees on customers to make up for the lower returns they would make on such deposits vis-à-vis longer dated assets. In addition, the ability of banks to provide additional liquidity to short-term markets would be constrained by their leverage requirements. Corporate issuers could be faced with a dwindling supply of options for short-term liquidity.

CCMC is opposed to the provisions regarding negative interest rates as they would increase costs and burdens on funds without solving an active or likely problem.

Proposal on Form N-MFP Reporting Requirements

The Proposal also recommends several new reporting requirements. CCMC is particularly concerned by the proposed amendments to reporting on Form N-MFP, which funds file each month to report portfolio holdings and other key information.

First, the Proposal would require all MMFs to "disclose the name and percent ownership of each person who owns of record or is known by the fund to own beneficially 5% or more of the shares outstanding in the relevant class."[34] We believe it is inappropriate to name investors with large positions. If the Commission's goal is to gather information on prime money funds, secondary activity, and broader trends in short-term funding markets,[35] identifying and making public the name of the investors is unnecessary to that purpose.

Second, the Proposal outlines additional changes to Form N-MFP that would require funds to specify information about their portfolio securities by each lot, including additional data on acquisition dates and trade date yields.[36] We are highly concerned by a requirement to report information by lot and granular information on yields, as it would allow other market participants to reverse engineer trading patterns.

Third, the Proposal would require granular information about a fund's repurchase agreements and standardize how that information is reported. While each of these new reporting requirements would be costly and time-consuming, the instruction that such information should be conveyed in an unaggregated format will exacerbate the burden on funds who must implement major and costly upgrades to their data management systems.

While we support transparency, reporting on MMFs are already highly transparent. Based on the market turmoil of March 2020, to which this Proposal is a response, there is no reasonable purpose in requiring funds to name investors with large positions, provide data on portfolio securities by lot, or provide a swell of granular and unaggregated data on

[34] SEC 2022 MMF Reform Proposal, p. 128.
[35] Id. pp. 129-130.
[36] Id. p. 134.

repurchase agreements. CCMC recommends the Commission eliminate or make substantial changes to these provisions to ensure the confidentiality of investors and trading patterns, and to minimize compliance costs and burdens to the funds. Moreover, since the Commission is proposing extensive changes to Form N-MFP reporting, a six-month implementation period is unrealistic. Should the Commission proceed with new reporting requirements for Form N-MFP, we request the Commission extend the implementation period to 12 months. In addition, should the provision proceed unchanged from the current proposal, we recommend that the Commission extend the filing period from no later than the fifth business day of each month[37] to seven days to accommodate the vast increase in data required by the Proposal.

The SEC is increasingly allowing insufficient time for the public to comment on substantive changes in regulation. In addition, we encourage the Commission to consider how to stage compliance across the many new regulations to minimize inefficiencies for market participants.

Through several comment letters, CCMC has expressed its deep concern with the Commission's shortened and concurrent timeframes to respond to the wide array of new and complex proposals, most of which are recommending substantial technical changes to the reporting environment. While we remain concerned with the Commission's generally inadequate comment periods, we do appreciate the 60-day comment period for this Proposal on MMF reforms so that we and other stakeholders can provide meaningful feedback. As in previous letters, we encourage the Commission to slow down its agenda in favor of getting the regulations right, keeping in mind they are not only protecting investors, but regulations should maintain fair, orderly, and efficient markets and facilitate capital formation.

In addition, given the Commission's very lengthy and fast-moving agenda, we are concerned about the extensive compliance changes that our member firms will have to make to implement the universe of new rules that are part of the Commission's agenda. The various rules under consideration will require layers of new systems, processes, and operations updates. Has the Commission considered these updates collectively, specifically by conducting a thorough cost-benefit analysis of the cumulative impact of the Commission's various proposals? Moreover, has the Commission considered whether they could phase in new regulations and compliance requirements in a way that, considering the universe of proposals under consideration, is efficient for market participants to adopt? We hope the Commission will work in good faith to consider and develop implementation timetables that minimize the extensive burdens that will be placed on businesses as they comply with these many new regulations.

[37] Securities and Exchange Commission, Notice to Form N-MFP Filers. https://www.sec.gov/investment/announcement/divisionsinvestmentimannouncementsformn-mfp-imhtm.html

Conclusion

The Chamber welcomes this opportunity to comment on the Proposal. We believe there are many areas of the Proposal that could be improved before the rulemaking can be finalized. We stand ready to assist and be a resource for the Commission and staff.

Sincerely,

Kristen Malinconico
Director
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce